

State of Idaho
Legislative Services Office
Management Report

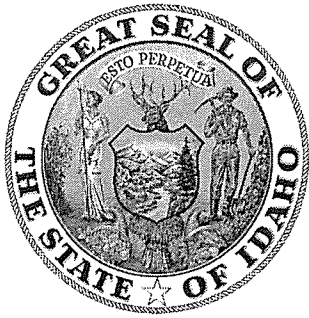
A communication to the Joint Finance-Appropriations Committee

**DIVISION OF VOCATIONAL
REHABILITATION**

FY 2006, 2007, and 2008

Report IC52308
Date Issued: October 19, 2009

Serving Idaho's Citizen Legislature



Don H. Berg, Manager

Idaho Legislative Services Office
Legislative Audits Division

**DIVISION OF VOCATIONAL
REHABILITATION**

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Division of Vocational Rehabilitation covering the fiscal years ended June 30, 2006, 2007, and 2008. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

CONCLUSION

We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the office.

FINDINGS AND RECOMMENDATIONS

There are no findings and recommendations in this report. The prior report covered fiscal years 2003 through 2005 and included three findings and recommendations. As discussed below, the recommendations were implemented and the findings closed.

1. The Division is not in compliance with the requirements for allowable costs for the Rehabilitation Services Basic Support Grant.

We recommended that the Division obtain an approved indirect cost-rate plan and properly document payroll costs. We also recommend that the Division consult with the U.S. Department of Education regarding the questioned costs.

The Division filed an indirect cost rate proposal dated March 10, 2006. In March 2007, the Division contacted the U.S. Department of Education and was told no progress had been made on the status of the questioned costs. Based on *OMB Circular A-133 .315(b)4*, a finding may be closed if the federal agency is not currently following up with the auditee.

Status: CLOSED

2. The Division did not fully comply with all federal requirements for the Basic Support Grant.

We recommended that the Division take steps to fully comply with applicable federal requirements by: (1) documenting all costs prior to requesting reimbursement, (2) documenting all eligibility determination extensions, and (3) correcting the required reports to show proper federal costs.

The Division has implemented specific procedures to ensure adequate documentation for all reimbursement requests, and has established a borrowing limit with the Division of Financial Management to avoid any cash flow problems. The Division has also implemented new procedures to ensure completeness of all required eligibility determination extensions and trained staff on the new procedures. All reports have properly been corrected.

Status: CLOSED

3. The Community Supported Employment Program and related services are not coordinated or monitored.

We recommended that the Division establish a monitoring program for the Community Supported Employment Program. Monitoring should include addressing the performance of the providers in accordance with the contract, verifying and validating monthly billings, and tracking reports and documentation received from the providers.

The Division has created a form to monitor vendor activities in relation to services billed. Monitoring visits to all vendors at least once every two years are also required.

Status: CLOSED

A copy of this report is available at <http://www.legislature.idaho.gov/audit> or by calling 208-334-4832.

AGENCY RESPONSE

The Division has reviewed the report and is in general agreement with its contents.

FINANCIAL INFORMATION

The Division operates using four funds in accordance with Idaho Code. The following financial data is for informational purposes only.

DIVISION OF VOCATIONAL REHABILITATION – FINANCIAL SUMMARY FY 2008

Fund	Title	Beginning Cash/ Appropriation	Receipts/ Transfers In	Disbursements		Ending Cash/ Appropriation
				/	Transfers Out	
0001	General	\$8,295,006	\$419	\$8,220,006		\$75,419*
0288	Vocational Rehabilitation	2	343,057	343,059		0
0348	Federal	539,533	14,209,073	13,959,897		788,709**
0349	Miscellaneous Revenue	0	515,045	0		2
	Total	\$8,834,541	\$15,067,594	\$23,038,005		\$864,130

* The General Fund had an encumbrance of \$75,000 at fiscal year end. The remaining \$419 was reverted to the State General Fund.

**The Federal Fund has a "borrowing limit" of \$800,000 established for cash flow purposes.

This report is intended solely for the information and use of the State of Idaho and the Division of Vocational Rehabilitation and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the administrator, Michael Graham, and his staff.

ASSIGNED STAFF

Eugene Sparks, CPA, GGFM, Managing Auditor

Wade Kimball, In-Charge Auditor

Brinton Croff, CICA Staff Auditor

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AGENCY RESPONSE



**Idaho
Vocational
Rehabilitation**

A Division of the
State Board of
Education

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Phone: (208) 334-3390
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TO: Legislative Services Audit Team

FROM: Michael, Graham,
Administrator, Division of Vocational Rehabilitation

DATE: September 22, 2009

SUBJECT: Responses to Audit Update, per memorandum from LSO, dated
August 31, 2009

The Idaho Division of Vocational Rehabilitation would like to extend our appreciation to the audit staff of Legislative Services Office and especially thank Wade Kimball for the thorough internal control audit. We have reviewed the issues that arose from the audit and agree with the recommendations made by the audit team. Corrective actions have already begun.

Again, we would like to thank the audit team and commend LSO for the assistance and professionalism demonstrated throughout this process.

Regards,

A handwritten signature in cursive script that reads 'Michael Graham'. The ink is dark and the signature is fluid.

Michael Graham
Administrator
Idaho Division of Vocational Rehabilitation

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The Idaho Division of Vocational Rehabilitation is a Proud AA/EEO Employer

SINGLE AUDIT FINDINGS AND RECOMMENDATIONS

The Division of Vocational Rehabilitation was included in the scope of the statewide *Single Audit Report* for fiscal year 2008. The issues presented in that report relating to the Division are included here to provide complete disclosure of audit results for the period covered by this Management Review.

FINDING 08F-7

CFDA Title: Rehabilitation Services

CFDA #: 84.126

Federal Award #: H126A070016 and H126A080016

Program Years:

October 1, 2006 to September 30, 2007

October 1, 2007 to September 30, 2008

Federal Agency: Department of Education

Compliance Requirements: C-Cash Management

Questioned Costs: Not Determinable

Federal funds are not requested within the time frames established in federal requirements. Federal regulations under the Cash Management Improvement Act (CMIA) require the Department of Vocational Rehabilitation (IDVR) to request federal funds within specific time frames based on the type of expenditure being reimbursed. The timing of requests is intended to minimize any delay in receiving reimbursements while keeping surplus federal funds on hand to a minimum.

Federal funds for operating costs and trustee and benefit payments were requested up to five days early, while some payroll costs were requested up to eight days late. These requests did not comply with the requirements of the CMIA and could result in potential interest costs payable to the federal grantor. The IDVR was not aware that requests for federal funds were based on business days, not calendar days.

RECOMMENDATION 08F-7

We recommend that the IDVR draw federal funds within the time frames established in federal regulations.

AGENCY'S CORRECTIVE ACTION PLAN

Under Vocational Rehabilitation's main grant, CFDA 84.126, the clearance pattern for vendor payments and benefits is 10 (ten) days; payroll is 0 (zero) days. Historically, IDVR has requested vendor payment and benefit federal draws on a 10 "calendar-day" clearance pattern in accordance with federal guidelines. State auditors report that clearance pattern for federal draws are on a "business-day" basis.

IDVR researched this issue with the U.S. Department of Treasury, Fiscal Service (31 CFR Part 205) Federal Register and found that when the term "day" is used, it is referring to "calendar day" unless otherwise specified (page 8). "Business day" refers to "a day when the Federal Reserve is

open." Agencies are to use the federal guidelines from the Department of Treasury unless different guidelines have been agreed to with their own Treasury-State Agreement. The State of Idaho's current CMIA agreement (page 21, section 7.8) has "days" defined as business days, not calendar days.

IDVR is now requesting vendor draws on a business day basis as per the State of Idaho's CMIA agreement. Draws for payroll are now requested and received on the day that payroll is released in accordance with payroll's 0 (zero) day clearance pattern.

FINDING 08F-8

CFDA Title: Rehabilitation Services

CFDA #: 84.126

Federal Award #:

H126A070016 and H126A080016

Program Year:

October 1, 2006 to September 30, 2007

October 1, 2007 to September 30, 2008

Federal Agency: Department of Education

Compliance Requirements: B-Allowable Costs

Questioned Costs: Not Determinable

Indirect rates used to charge administrative costs to federal grants are not properly supported. Federal grants received by the IDVR allow for administrative costs to be charged based on an indirect rate. The indirect rate must comply with specific requirements as described in federal regulations (*OMB Circular A-87*) and use the agency's accounting system as the basis for the calculation.

The data and calculations used by the IDVR to develop the fiscal years 2007 and 2008 indirect rates were not available for audit. In addition, the current rate has not been calculated or submitted to the federal grantor as required. Although we performed limited audit procedures to evaluate whether the indirect rates used during the audit period were reasonable, significant risks exist that amounts claimed as indirect administrative costs are not complete or accurate.

The IDVR has experienced significant employee turnover in the accounting section during the last two years and has not fully developed or documented the processes and calculations to support the indirect rates.

RECOMMENDATION 08F-8

We recommend that the IDVR properly support the indirect rates used to charge administrative costs to federal grants by developing and documenting the processes and calculations in accordance with federal regulations.

AGENCY'S CORRECTIVE ACTION PLAN

Data used for this calculation of the indirect cost rate was pulled from IDVR's internal financial system several months after State year end, June 30. Since IDVR also reports to the U.S. Department of Education based on the federal fiscal year end, September 30, the internal financial system is set up to continue tracking adjustments for the fiscal year past June 30.

These adjustment transactions were included in the data used to calculate the indirect cost rate audited. The exact data used to calculate this rate was saved in spreadsheet by the previous fiscal manager, but not saved in the IDVR database at the time the reports were run. Consequently, the reports could not be recreated or defended by current IDVR staff. The financial system used by IDVR is very accurate, but information changes as adjustments are made to prior year authorizations in our reporting system, so recreating an exact dollar amount is literally impossible if the data is not saved at the time the report was created.

IDVR has been in contact with John Masaitis, Deputy Director at the Department of Education, and has received a packet of information on how to properly apply for a current indirect cost rate. IDVR will work closely with the Department of Education to prepare and document an indirect cost rate according to the federal regulations. Future indirect cost rate proposals will be properly documented with documentation available for review.

APPENDIX

HISTORY

The first concept of total rehabilitation began in the early twentieth century. The realization that care and education were not enough, and that society must prepare the disabled to become self-supporting, resulted in the establishment of the State-Federal Vocational Rehabilitation Program on June 2, 1920.

This initial program (jointly financed and developed by federal and state governments) provided services for persons with disabilities. These services consisted of special assistance in job training and placement, counseling and guidance, and prosthetic appliances. In 1943, an act was passed that expanded the scope of services provided under the 1920 act, and for the first time authorized the provision of medical services, services to individuals who suffered from psychiatric illnesses, and vocational rehabilitation of the blind.

In 1954, the basic provisions of services to people with disabilities were continued and, in addition, the program was broadened by authorizing a series of changes in professional, fiscal, and technical areas. Some of the provisions included full federal participation in all phases of the program, state agency expansion for better rehabilitation methods, training for more professional personnel, and construction enlargement or alteration of rehabilitation centers.

The Idaho Division of Vocational Rehabilitation has grown in line with the federal program. In 1920, Idaho accepted the Federal Vocational Rehabilitation Program. At that time, it was placed under the State Board for Vocational Education, with services provided by only one rehabilitation counselor. Currently, the Division is organized under the State Board of Education and employs 166 people (132 full-time and 32 part-time). As provided by Idaho Code, Section 67-5303, the professional staff, including counselors, are exempt from the Division of Human Resources.

STATUTORY AUTHORITY

Since 1920, Idaho has administered vocational rehabilitation services under the provisions and benefits of the federal act. Acceptance of this act is contained in Idaho Code, Sections 33-2301 through 33-2308, which state, in part:

The state of Idaho hereby renews its acceptance of the provisions and benefits of the act of Congress, entitled "An act to provide for the promotion of vocational rehabilitation of persons with disabilities, other than those who are legally blind, and their return to employment," and further accepts "The Rehabilitation Act of 1973," P.L. 93-112, 93rd Congress, and "The Rehabilitation Act Amendments of 1998," P.L. 105-220, 105th Congress, and will observe and comply with all requirements of such acts.

ORGANIZATION

The Idaho State Board of Education is designated as the agency to administer, supervise, and control the State Vocational Rehabilitation Plan. The Board has authority to appoint such assistants as may be necessary to administer vocational rehabilitation in Idaho.

The administrator of the Division reports directly to the executive director of the Office of the State Board of Education. The administrator devotes full time and efforts to Division programs, and has primary responsibility for the direction and administration of the vocational rehabilitation programs.

The Division has eight regional offices, two in Boise, and one each in Caldwell, Coeur d'Alene, Idaho Falls, Lewiston, Pocatello, and Twin Falls. Sub-offices are located in Blackfoot, Burley, Moscow, Mountain Home, Nampa, Orofino, Payette, Preston, Rexburg, Salmon, Sandpoint, and the Boise School District. Under cooperative agreements, additional offices are located where needed.

FUNDING

The Division receives its funding from the State General Fund, federal funds, and miscellaneous receipts. It administers two programs that are entirely State funded, plus five federal programs.

Renal Disease Program – This program is entirely State funded. It assists individuals who require kidney dialysis or transplants and do not have access to any other financial resources.

Work Services Community Supported Employment – This program was transferred from the State Department of Health and Welfare on July 1, 2004. The program provides remunerative work and support for adults with developmental disabilities and mental illness who lack the skills and experience to obtain and maintain employment in the competitive job market. This program comprises Work Services and Community Supported Employment.

Basic Support Program – This is the Division's largest program. Its purpose is to assist individuals whose disability is a barrier to their current employment, or assist them in finding employment in their current field or in a new, more compatible field. The Division accomplishes this through counseling, medical restoration, training, and job placement. This grant requires a 21.3% State match.

In-Service Training – This program requires a 10% State match and pays for staff training.

SSA Benefits Program – This grant is 95% federal and 5% State match to provide planning, assistance, and outreach to Social Security beneficiaries in Idaho.

Community Based Supported Employment – This grant is 100% federally funded and is designed to mainstream the individuals who are most severely disabled, including those working in sheltered employment situations.

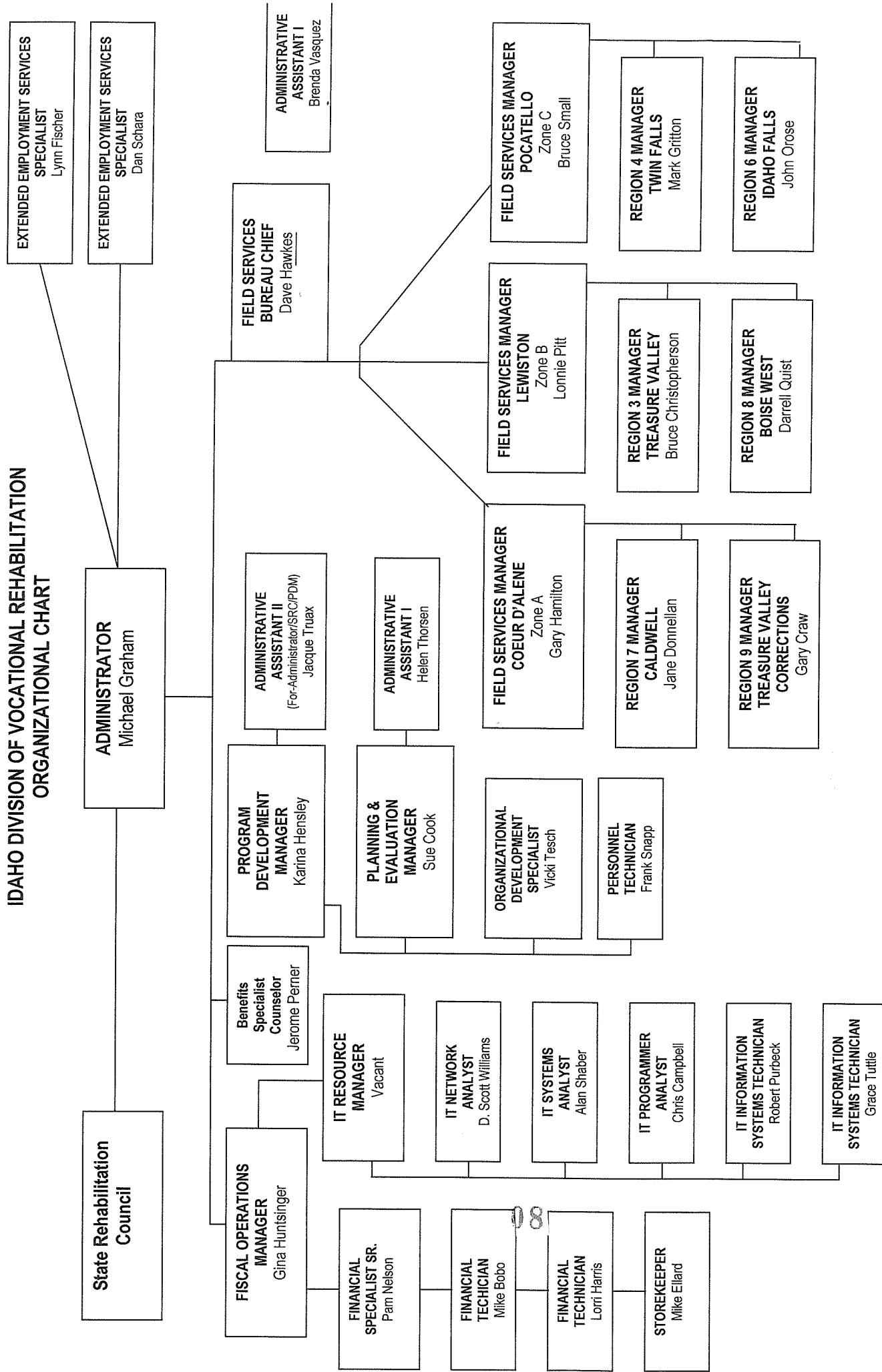
Epilepsy Services – This program began in 1992 and is entirely funded by the State. It educates individuals and the general public about epilepsy and provides information and referral services to those with epilepsy.

Migrant Worker and Seasonal Farm Worker Program – This program targets disabled migrant and seasonal farm workers for employment rehabilitation. It requires a 10% State match.

State Independent Living – This grant funds the Statewide Independent Living Council (SILC), appointed by the Governor. The SILC jointly develops, in conjunction with the Idaho Division of Vocational Rehabilitation and the Idaho Commission for the Blind and the Visually Impaired, a statewide independent living plan. It monitors, reviews, and evaluates the implementation of the plan; holds public meetings; coordinates activities with the Vocational Rehabilitation Advisory Council; and submits reports to the Commissioner of Rehabilitation Services. The SILC is also responsible for supporting centers for independent living, conducting studies and analyses, developing model policies and other activities to improve independent living services, and supporting activities to improve current disability service systems. This grant requires a 10% State match.

As of July 1, 2004, the SILC became separate from the Division of Vocational Rehabilitation; however, the Division continues to administer the grant.

IDAHO DIVISION OF VOCATIONAL REHABILITATION ORGANIZATIONAL CHART



The level of boxes on this flow chart show reporting relationships only and have no significance with regard to the relative importance of the individual's position or status.